



Executive Summary

Coordinated Audit of the Mercosul Free from Foot-and-Mouth Disease Action Program (PAMA)



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MISSION STATEMENT

To foster improvements in its member institutions and contribute to the proper and effective management of Mercosul resources through cooperation activities.

VISION STATEMENT

To become an organization that is capable of carrying out the external oversight of Mercosul.

With support from



Supreme Audit Institutions of the countries of Mercosul and Associates

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ACKNOWLEDGEMENTS

The Executive Secretariat of the Organization of Mercosul and Associated Supreme Audit Institutions (EFSUL), on behalf of Minister Augusto Nardes, Vice-President of the Brazilian Court of Audit, would like to thank:

- the Supreme Audit Institutions (SAIs) of Argentina, Bolivia, Brazil, Paraguay, and Venezuela for their efforts and commitment in performing this coordinated audit, which is an important milestone in regional oversight of Mercosul Structural Convergence Fund (FOCEM) resources;
- the German Agency for International Cooperation (GIZ) and the Regional Capacity Building Committee of the Organization of Latin American and Caribbean Supreme Audit Institutions (CCR/ OLACEFS) for their technical and financial assistance.
- the Executive Subunits of the Mercosul Free from Foot-and-Mouth Disease Action Program (SUE-PAMA) and the Pan-American Foot-and-Mouth Disease Center (PANAFTOSA) for providing information requested by the audit teams.

INTRODUCTION

This is the Executive Summary of the consolidated report on the coordinated audit performed on the Mercosul Free from Foot-and-Mouth Disease Action Program (*Programa de Ação Mercosul Livre de Febre Aftosa – PAMA*).

The audit had been included in the Operational Plan of the Organization of Latin American and Caribbean Supreme Audit Institutions' Regional Capacity Building Committee (*Comitê de Capacitação Regional da Organização Latino Americana de Entidades Fiscalizadoras Superiores da América Latina e Caribe – CCR/OLACEFS*).

The coordinated efforts followed the guidelines provided by the International Organization of Supreme Audit Institutions (INTOSAI) in its “Guide for Cooperative Audit Programs between SAIs.” According to this Guide, coordinated audits should include the following basic steps: i) joint planning; ii) performance of national audits; iii) preparation of national audit reports; and iv) preparation of a consolidated report.

The audit, being a pilot project that seeks to implement and assess a capacity building strategy, received technical and financial assistance from the German Agency for International Cooperation (GIZ)/OLACEFS Program. This strategy involves training auditors in audit techniques and the subject matter to be examined. To this end, all audit teams were offered an online performance auditing course, in addition to an on-site training workshop on foot-and-mouth disease prevention and eradication in the Southern Cone.

In a prior phase, with a view to defining the audit topic, the Organization of Mercosul and Associated Supreme Audit Institutions (EFSUL) conducted a broad preliminary survey that demonstrated the importance of assessing prevention and eradication measures for foot-and-mouth disease in Mercosul.

Foot-and-mouth disease (FMD) is a highly infectious viral illness that affects cattle, water buffalo, pigs, sheep, and goats, in addition to other

cloven-hoofed mammals. The virus, of the *Aphthovirus* genus, is highly resistant and transmissible. In addition to contagion by direct contact with infected animals, transmission can also occur through the air or indirectly through animal or human vectors. Cattle, water buffalo, and pigs experience more severe symptoms, including high fever and blisters that rupture, causing sores on the tongue, lips, larynx, nostrils, and on the skin surrounding the hooves.

Though the disease presents minimal risk to human health, its impact on agriculture is severe, particularly due to sanitary restrictions imposed by the international market, reduced livestock productivity, loss of market value of animals from contaminated areas, interdiction of properties, and sacrifice of infected herds.

The prevention and eradication of foot-and-mouth disease is of strategic importance for Southern Cone countries, considering that the region is home to approximately 270 million head of cattle, or more than 25% of the world's total.

Thus, maintaining the current epidemiological status and expanding efforts to improve it requires intense surveillance activities, training of specialists, adequate infrastructure, vaccination, and the development of an integrated system of veterinary services.

Table 1 – Animal population by type of livestock in countries receiving PAMA funds – 2010

Country	Cattle	Sheep	Pigs	Goats	Buffalo	Camelids
Argentina	47,972,661	14,732,146	3,250,686	4,256,716	*	*
Bolivia	7,295,777	6,091,436	991,074	1,642,345	6,904	3,129,587
Brazil	208,000,000	15,197,067	32,370,749	8,443,293	1,844,552	*
Paraguay	12,305,442	364,564	1,072,655	129,913	*	*
Total	275,573,880	36,385,213	37,685,164	14,472,267	1,851,456	3,129,587

Source: SAI audit reports

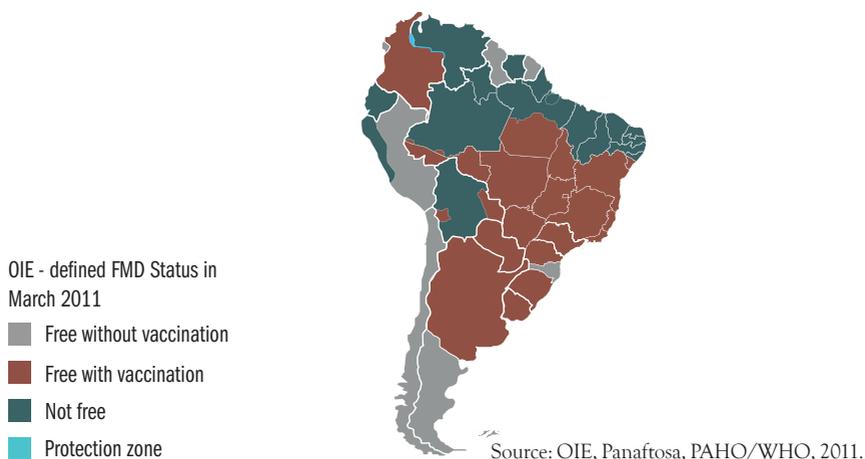
* - no available information.

Another important point in understanding the coordinated audit is how the World Organization for Animal Health (OIE) defines the epidemiological status of each country. There are two levels of classification for countries or zones that have effectively controlled the disease: FMD free with vaccination and FMD free without vaccination.

In order to obtain the status of FMD-free with vaccination, the country or zone must meet certain requirements, including a record of regular and prompt animal disease reporting; absence of any outbreaks in the previous two years in the case of countries, and one year in the case of zones; active FMD surveillance; adequate vaccine coverage; and, finally, have a protection zone or geographical barriers that prevent contact with risk areas. The status of FMD-free without vaccination requires, additionally, that no vaccination has been carried out in the previous twelve months.

As illustrated by the following map, several countries have both FMD-free (with or without vaccination) and FMD non-free areas. The map shows that, generally speaking, South America still needs to make significant improvements in strategies and measures in order to definitively eradicate the foot-and-mouth disease virus.

Map – Foot-and-Mouth Disease in South America



COORDINATED AUDIT

The Supreme Audit Institutions (SAIs) of Argentina, Bolivia, Brazil, and Paraguay participated in the coordinated audit of PAMA, while Venezuela conducted a parallel audit using similar methodology, thus providing information that enriched the final report. All the participating SAIs are members of EFSUL, and the Brazilian Court of Audit, as the Organization's Executive Secretariat, was the coordinator.

The importance of examining PAMA was based on the socioeconomic value of cattle to the region, the potential damage that outbreaks of the disease can inflict, and flaws in regional oversight identified by the 2010 EFSUL audit of the Mercosul Structural Convergence Fund (*Fundo para a Convergência Estrutural do Mercosul – FOCEM*), which finances PAMA.

The Program was created by CMC Decision No. 25/05; in 2007, CMC Decision No. 08/07 approved the FOCEM Agreement, which established the following program objectives:

- Support the eradication of Foot-and-Mouth Disease in the Mercosul region and in participating Associate States and maintain the epidemiological status thus attained, through the operation of a solid Veterinary Services System;
- Contribute to the development of regional livestock production in order to gain access to export markets and strengthen veterinary systems to prevent other exotic diseases of similar economic impact.

The resources allocated to PAMA total US\$16,339,480, of which US\$2,450,920 are counterpart funds from Member States. Thus, actual FOCEM funds allocated to the project are approximately US\$13,888,550, distributed among the countries as specified in the following table.

Table 2 – Distribution of resources among PAMA beneficiary countries

Country	Volume of allocated funds (US\$)
Argentina	2,612,000
Brazil	3,601,800
Bolivia	3,594,900
Paraguay	2,342,100
Uruguay	1,737,800
Total	13,888,550

Source: COF-PAMA n.º 07/2007.

The purpose of the audit was to analyze PAMA’s contribution to the fight against foot-and-mouth disease, and whether the funds used by the program are being adequately overseen and monitored. In both cases, an effort was made to identify potential areas for improvement in the program’s management. The scope of the audit was the management of the program by the Executive Subunits (*Subunidades Executoras do PAMA – SUE-PAMAs*) in the period spanning 2007 to 2011.

The following audit questions were formulated as a basis for scrutiny:

Question 1: What is the contribution of the Mercosul Free from Foot-and-Mouth Disease Action Program (PAMA) to the eradication of this disease in the Southern Cone?

Sub-question 1.1: Are the measures implemented by means of PAMA being planned with the goal of enhancing the regional and national fight against the disease?

Sub-question 1.2: What are the primary results that PAMA activities have produced toward controlling foot-and-mouth disease?

Question 2: Are PAMA monitoring and audit mechanisms being implemented with a view to guaranteeing adequate oversight of compliance and management?

Sub-question 2.1: Is PAMA's physical and financial implementation being monitored and audited in accordance with FOCEM regulations?

Sub-question 2.2: What factors may be interfering with the monitoring and auditing of PAMA's management?

FINDINGS AND RECOMMENDATIONS

To answer the first question, the coordinated audit assessed whether PAMA's planning is based on situation analyses and technical documents capable of identifying critical areas that need to be prioritized and measures needed to reduce regional vulnerabilities. In addition, it assessed whether the Program is being implemented based on objectives and goals, considering the short, medium, and long terms.

In so doing, the audit did not find the necessary distinction between measures implemented with PAMA funds and those carried out by existing national programs to fight FMD.

The SAIs' investigations revealed that PAMA's current planning approach has three general shortcomings that limit its ability to strengthen the Program's activities: i) there is no multiyear planning, i.e. currently, the longest timeframe for planning activities is one year; ii) there are no intermediate strategic goals to determine steps forward, making it difficult to adequately budget resources and plan activities; and iii) short-term planning, undertaken through annual operational plans, is not based on situation analyses and regional assessments that would allow efforts to be directed toward priority areas and measures that could mitigate external weaknesses.

Accordingly, the coordinated audit recommended that the countries' SUE-PAMAs: i) conduct situation analyses and joint assessments of regional vulnerabilities; ii) undertake multiyear planning with detailed objectives, goals, and deadlines; iii) define activities in annual operational plans based

on the technical studies and analyses; and iv) periodically review and monitor the multiyear plans that are agreed upon by the countries.

The national audit reports published by the individual SAIs listed the main activities that are funded by PAMA. In general, these activities can be divided into two categories: a) local activities – those carried out in an isolated manner by the country – such as the purchase of office supplies or laboratory materials and b) integrated and coordinated activities – those for which there was joint action by the countries' veterinary services.

The integrated and coordinated activities carried out by PAMA led, among other things, to the recuperation of FMD-free status with vaccination in the High Surveillance Zone (*Zona de Alta Vigilância – ZAV*), a vulnerable area along the border of Argentina, Brazil, and Paraguay; allowed for the coordination of vaccination schedules among countries; increased the transparency of veterinary services and exchanges of experience by means of border commissions and technical missions; and, in addition, played an important role in the containment of the outbreak in Paraguay in 2011.

Thus, it was found that integrated activities make better use of PAMA's contribution and allow for a more effective reduction in the external risk of contamination by FMD. In other words, if PAMA did not exist, these measures, which reduce regional vulnerabilities, would be less likely to occur. It is important to note, however, that no evidence was found that these activities are being conducted in priority areas or that they have been adequately scaled.

Since PAMA's main contribution to the regional fight against foot-and-mouth disease clearly occurs when resources are allocated to integrated and coordinated measures that are capable of mitigating external risks of contamination, it was recommended that the countries' SUE-PAMAs: i) plan future activities with a view to reinforcing regional aspects of the Program; ii) prioritize the acquisition of goods and services with PAMA funds for

measures that effectively contribute to the regional fight against FMD and are located, preferentially, in areas with a higher external risk of contamination.

In assessing PAMA oversight activities, the audit found administrative deficiencies and flaws in internal controls related to the physical and financial implementation of the Program, in addition to shortcomings in procedures for monitoring and evaluating its management.

All SAIs identified a low level of PAMA outlays as compared to the initial schedule of disbursements. According to information provided by the SAIs, the problems in implementation were due, in part, to: delays by the FOCEM Technical Unit of the Mercosul Secretariat (*Unidade Técnica FOCEM da Secretaria do Mercosul - UTF/SM*) in making scheduled disbursements; delays by the SUE-PAMAs in rendering accounts to UTF/SM; problems in defining permissible expenditures (uncertainty about which expenditures are eligible, lack of acquisition plans, failure to request prior authorization as required for larger expenditures).

With a view to improving oversight of physical and financial implementation of PAMA, it was recommended that the countries' SUE-PAMAs: i) establish distinct budget line items for PAMA and put in place mechanisms for verification, oversight, and periodic assessment of outlays and physical implementation, in order to speed up rendering of accounts and ii) render accounts within deadlines established by PAMA regulations.

With regards to monitoring and assessment of program management, a number of serious shortcomings were detected, in particular due to the lack of indicators and PAMA management reports, in addition to deficiencies in the private external audits.

Furthermore, the SAIs found that PAMA's Logical Framework (*Matriz de Marco Lógico - MML*), an annex to the 2007 FOCEM-PAMA agreement, in addition to containing logical flaws in the way it was structured, has not been sufficiently utilized by the countries.

It should be noted, moreover, that no internal or external audits – which were required by FOCEM regulations – were found for the years 2007 to 2010 in any of the countries. In 2011, the first external audits were engaged in Paraguay, Brazil, and Bolivia. In Argentina and Uruguay, as of end of year 2011, PAMA had not been examined by way of private external audits.

In addition to the considerable delay in performing the private external audits, the SAIs of Paraguay and Brazil reported that they contained a methodological blunder. In their analyses, the audit reports indiscriminately mixed PAMA initiatives with those in national food-and-mouth disease programs. Indeed, the conclusions of the private audit reports were compromised by the fact that they did not distinguish PAMA activities or their specific impact.

Accordingly, with a view to putting in place an improved monitoring and evaluation system for PAMA, it was recommended that the countries' SUE-PAMAs: i) implement a system for monitoring activities included in PAMA's Annual Operational Plan; ii) reformulate the Logical Framework, developing process and outcome indicators to be used to monitor and oversee PAMA management; and iii) prepare management reports that facilitate the monitoring and oversight of PAMA.

With regard to the Ministries of Foreign Affairs, it was recommended that they consider the importance of improving the oversight of PAMA management and the need for Mercosul to make adjustments to the existing external auditing system for regional funds and resources, drawing on the guidelines laid out by Intosai's Lima Declaration, which has been recognized by the United Nations, in addition to successful examples such as the European Court of Auditors and the Regional Audit Council of the Central American Integration System (*Consejo Fiscalizador Regional del Sistema de la Integración Centroamericana – CFR-SICA*).

Finally, it was recommended that the central PAMA Executive Subunit (*Unidade Executora do PAMA – UE-PAMA*) establish deadlines for making disbursements, counting from the submission of the latest SUE-PAMA report.

VENEZUELA AUDIT

Among the Venezuelan SAI's main findings, the audit revealed that food-and-mouth disease vaccination targets have not been met in recent years, meaning that herds now have a lower level of protection against the disease.

In addition, the following problems were identified: the National Institute for Comprehensive Agricultural Health (*Instituto Nacional de Salud Agrícola Integral – INSAI*) lacks technical manuals and procedural standards for the prevention and eradication of FMD; there are deficiencies in internal controls and in the reliability and accuracy of information regarding targets met through the national FMD program; there are no management indicators that allow for the measurement of targets met in terms of efficiency, efficacy, economy, quality, and impact, among others.

Finally, it is worth highlighting the main recommendations made to INSAI by the audit team: i) creation of specific manuals and procedures; ii) development of a file system based on computerized records that allow for easy access to documentation related to FMD prevention and eradication programs; and iii) development of management indicators.

CONCLUSION

Despite its limited funds – US\$16,339,470 to be spent over a period of five years – PAMA has contributed to the regional fight against foot-and-mouth disease. Integrated initiatives that are coordinated among member states are particularly useful, in that they allow for increased technical exchanges, transparency of oversight mechanisms, information sharing, and support to vulnerable countries and zones.

However, the audit found that the Program’s existing planning methodology does not optimally enhance the regional fight against the disease, since it lacks situation analyses and diagnoses that indicate which areas should be prioritized and what joint actions should be undertaken. In addition, it revealed that there are no multiyear strategic plans containing goals, deadlines, and intermediate objectives for PAMA activities.

With respect to the oversight of program management and of physical and financial implementation, deficiencies were identified that demand urgent measures in order to adjust the program’s monitoring and evaluation system.

Furthermore, it was found that the underutilization of PAMA funds in the various beneficiary countries is linked to administrative flaws involving rendering of accounts, problems with the eligibility of disbursements, and a lack of accounting procedures that discriminate PAMA expenses, making it difficult to prepare budget and financial reports.

Lastly, in terms of oversight, the audit revealed the inexistence of indicators and management reports, in addition to serious shortcomings in audit mechanisms – in particular, in the private audits engaged by UTF/ SM, since through the year 2010, not a single audit had been performed in PAMA participating countries. The audit that was finally conducted, besides lacking the comprehensive approach required by the Guide on External Audits of the Mercosul Secretariat, missed the mark in terms of its scope, since its

analysis mixed PAMA initiatives with the regular operation of the national foot-and-mouth disease programs.

In sum, the coordination of audit activities within EFSUL allowed for legal, financial, and operational matters to be assessed by public auditors, at a low cost, and with detailed technical planning.

Thus, the present coordinated audit demonstrates the value of public oversight of regional funds in Mercosul by the SAIs of member states, similar to that which is carried out by the European Court of Auditors and CFR-SICA.

The full national audit reports can be accessed on the EFSUL website (www.efsul.org).